

EY Regulatory Alert

RBI amends ECB guidelines

Executive summary

EY Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

On 16 February 2026, the Reserve Bank of India ('RBI'), post public consultation, amended the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and Master Directions on External Commercial Borrowings 'ECB', Trade Credits and Structured Obligations ('Revised ECB Framework').

The Revised ECB Framework comes into force with immediate effect.

This Alert summarizes key changes introduced under the Revised ECB Framework.



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Background:

- ▶ The Revised ECB Framework liberalises the ECB regime by simplifying eligibility norms, standardising the minimum average maturity period ('MAMP'), easing the end-use provisions, enhancing operational flexibility (including interest rate), and strengthening reporting and compliance framework.

Key aspects covered under the Revised ECB Framework:

▶ Continuation of existing ECB availed under the prior framework

The Revised ECB framework provides that ECBs availed prior to the amendment will continue to be governed by the erstwhile regime, except for the reporting requirements.

▶ Limited Liability Partnerships ('LLPs') as Eligible borrowers

LLPs have been recognized as eligible borrowers for raising ECBs.

▶ MAMP

- ▶ The Revised ECB Framework has standardized the MAMP at 3 years, replacing the earlier framework where the MAMP ranged from 3 to 10 years depending upon the end-uses.
- ▶ For manufacturing entities, ECBs with MAMP between 1-3 years may be raised, subject to an outstanding cap of USD 150 million for such shorter-tenor borrowings.
- ▶ Call/put options should not be exercised before completion of MAMP.
- ▶ Prepayment prior to prescribed MAMP should be permissible under the automatic route in the below-mentioned cases:
 - ▶ Conversion of ECB to a non-debt instrument (in accordance with the Foreign Direct Investment (FDI) policy);
 - ▶ Repayment by utilizing proceeds of FDI funds;
 - ▶ Waiver of ECB by the lender;
 - ▶ In case of closure, merger, demerger, arrangement, acquisition of control, amalgamation, resolution or liquidation by the lender or the borrower.

▶ Increase in borrowing limits

- ▶ The ECB headroom has been enhanced from the earlier USD 750 million limit to the higher of USD 1 billion outstanding or 300% of net worth (standalone) of the borrower.
- ▶ No ECB limits should be applicable to eligible borrowers regulated by financial sector regulators.

▶ Liberalization of end-use restrictions

- ▶ The Revised ECB Framework permits Indian entities engaged in construction development to raise ECBs, subject to sale of plots only after completion of trunk infrastructure.
- ▶ Further, ECBs for development of industrial parks should be subject to prescribed minimum units and allocable area.
- ▶ The restriction on 'real estate businesses' has been relaxed for, *inter alia*, infrastructure activities, specified own-use acquisitions and real estate broking services.
- ▶ ECB proceeds may also be used for transactions in securities undertaken as part of the strategic corporate actions, such as merger, demerger, amalgamation, arrangement or acquisition of control, in accordance with the applicable regulatory framework (i.e., Companies Act 2013, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Insolvency and Bankruptcy Code, 2016).

▶ Removal of all-in cost ceiling

It is also provided that all-in-cost ceiling should be as per the prevailing market conditions and arm's length for related parties.

▶ Exclusions from Revised ECB framework

The Revised ECB Framework excludes the following from its scope, subject to compliance with the applicable regulations:

- ▶ Investments by a Foreign Venture Capital Investor ('FVCI') in debt instruments;
- ▶ Investments received through convertible notes;
- ▶ Investment in debt instruments by non-residents such as Foreign Portfolio Investors (FPI');

- ▶ Export advances;
- ▶ Trade Credit with original maturity up to 3 years.

▶ **Parking of ECB proceeds**

- ▶ For INR expenditure, ECB proceeds must be credited to an INR account by the end of the succeeding month from receipt; pending utilisation, funds may be invested in an unencumbered Fixed Deposit (FD) with the designated Authorised Dealer Category- I bank ('AD bank') for up to 1 year.
- ▶ For FCY expenditure, proceeds may be kept in an FCY account in India or abroad (as permitted) and temporarily invested outside India in an unencumbered FD or debt instrument with original maturity up to 1 year.

▶ **Reporting**

Earlier Form ECB-2 was required to be submitted monthly. It is now provided that Form ECB-2 filing should be an event-based filing, to be submitted only upon utilisation of ECB proceeds or undertaking debt-servicing. With the due date being 7 calendar days from the end of the month in which the event occurs.

▶ **Reporting of untraceable borrowers**

Where, post-drawdown, a borrower does not file specified returns for 4 consecutive quarters, and the designated AD bank documents multiple unsuccessful contact attempts and non-operation at the registered office, the borrower may be classified as untraceable and notified to RBI and the Directorate of Enforcement.

Comments

The Revised ECB framework represents a recalibration of India's cross-border borrowing regime, centered on simplification and enhanced operational flexibility.

By standardizing key parameters such as MAMP, expanding eligibility to include LLPs, liberalizing end-use conditions and removing constraints such as all-in-cost ceilings, the Revised ECB Framework is expected to mark a shift toward a more principle-based and market-aligned regulatory regime.

The exclusion of FVCI-linked debt instruments, facilitation of restructuring-related transactions, and a shift to market-aligned interest indicates an intent to support bona fide borrowing needs.

Overall, the Revised ECB Framework may deliver greater predictability and flexibility for compliant borrowers subject to broader factors such as global liquidity conditions and investor risk appetite, as well as borrower-specific elements such as borrower credit, documentation readiness.

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